

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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DOCKET NO. R97-1
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

PARCEL SHIPPERS ASSOCIATION
THIRD SET OF INTERROGATORIES
TO UNITED STATES POSTAL SERVICE
WITNESS VIRGINIA T. MAYES
(PSA/USPS-T37-9-10)

The Parcel Shippers Association (PSA) requests United States Postal Service to respond, fully and completely to the following interrogatories and requests for production of documents pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure.

Respectfully submitted,



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Dated: September 17, 1997

**INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
TO UNITED STATES POSTAL SERVICE WITNESS MAYES**

PSA/USPS-T37-9. In your response to PSA/USPS-T37-7(b), you state that you do not think that it is necessarily fairer to use a markup approach rather than a surcharge approach to deal with the asserted cost differential between Standard (A) parcels and flats.

(a) Is it not the case that a surcharge approach will disproportionately affect "low-cost, low-weight items"? If your answer is anything other than an unqualified affirmative, please explain any disagreement or qualifications.

(b) In your further response to that interrogatory you say that you see no parallel between the efforts to recognize a distinct cost difference in Standard (A) between parcels and flats, and the recovery of revenue lost from constraining rates in parcel post. Granting that the cases are not apposite, would you not agree that, nevertheless, fairness and equity are better promoted through a recognition of alleged differences in cost between Standard (A) parcels and flats through an additional markup?

(c) You further state in response to that interrogatory that: "As the revenue required for a subclass, in general, is recovered by marking up its costs overall, I viewed the application of an additional markup factor to be the more appropriate manner of meeting the total revenue requirement for parcel post." Since Standard (A) parcels and flats are in the same subclass, please explain why the Postal Service would not recommend that the revenue required for that subclass be recovered by marking up

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its cost overall as opposed to singling out a particular type of mail that is not recognized by either a subclass or a rate category distinction.

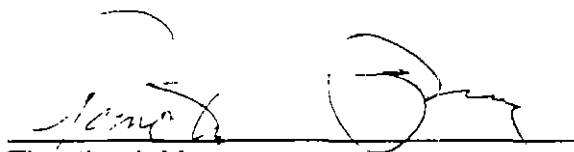
PSA/USPS-T37-10. Your response to PSA/USPS-T37-8 states that the Test Year Alaska non-preferential air costs are \$106,437,000.00 both before and after-rates.

(a) Would it be correct, in order to replicate the Commission-approved treatment of these Alaska non-preferential air costs, to subtract \$106,437,000.00 from the total parcel post costs as shown in the Test Year after-rates costs in witness Patelunas' testimony? If the response is anything other than an unqualified affirmative, please explain any qualification.

(b) Based on your response to this interrogatory, and your response to POIR 1(a) (2), that the calculation of the TYAR cost coverage, as shown at page 3 of WPI.I.C., uses as its base the total TYAR costs for Parcel Post with contingency, including intra-Alaska non-preferential air costs, please calculate and supply the TYAR cost coverage for parcel post after subtracting the \$106,437,000.00 of Alaska non-preferential air costs?

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



Timothy J. May

Dated: September 17, 1997